

ERG-4895

W/P 1-4583

SECRET

FEB 2 1956

MEMORANDUM FOR: Director of Central Intelligence

SUBJECT: Reexamination of CIA's
Reimbursement Practices

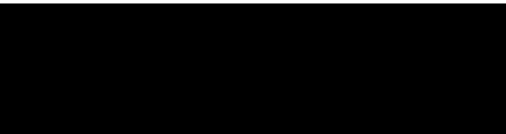
1. The attached report has been prepared in cooperation with the Deputy Directors and the Inspector General in pursuance of your instruction. Its main objective is to be responsive to your letter of September 23, 1954 to Mr. Armstrong, which states that: "The scheduled re-examination of the method of financing State's NIS program by CIA in cooperation with the Bureau of the Budget and the Department of State should be concluded by 15 February 1955, in order that the conclusions of such reexamination may be reflected in the budget for fiscal year 1957."
2. However, we have endeavored to treat the subject of reimbursement as comprehensively as possible because of questions in the past about reimbursement in other connections raised by General Cabell and the Bureau of the Budget, because of possibilities such as those raised by Mr. Amory regarding coordination of intelligence budgets (memorandum of August 11, 1954) and in view of the Inspector General's summary of our reimbursement situation in all regards with the Department of State (memorandum of October 11, 1954).
3. It is recommended that you approve the conclusions and recommendations of this report.

SECRET

SECRET

4. While this study has dealt only with current reimbursement instances there are problem areas which should be given prompt study in the light of the conclusions and recommendations of this paper. Three of these deemed most pressing are foreign publications procurement, map procurement, and collection of scientific intelligence information from overt sources. Accordingly after your decision is taken in the attached paper it is planned to initiate studies on these problems.

25X1A


Special Assistant to the Director
for Planning and Coordination

SECRET

SECRET

CONCURRENCES:

25X1A

FEB 19 1955

Deputy Director (Administration)

25X1A

Deputy Director (Intelligence)

25X1A

Deputy Director (Plans)

25X1A

Inspector General

25X1A

Deputy Director of Central Intelligence

25X1A

MAR 8 1955

SECRET

Report

CONFIDENTIAL

17 February 1955

REEXAMINATION OF CIA's
REIMBURSEMENT PRACTICES

PROBLEM:

1. To reexamine the existing practices of CIA regarding reimbursement to the Department of State for National Intelligence Survey (NIS) production, and services rendered by the Department with regard to external research [REDACTED] and to relate such reexamination to the problem of providing an adequate budget for intelligence activities important to CIA and to the national security.

25X1B

25X1B

DISCUSSION:

2. It is a principle of Government that each agency has the responsibility to obtain the funds to carry out its own responsibilities with the provision that reimbursements are encouraged when a second agency is more competent or in a position to perform more efficiently a service required by the first. However, care must be exercised that reimbursement does not subvert the intent of Congress as expressed in appropriations acts and related legislative history. The NSCID's help explain why the reimbursement problem has arisen, because the Directives set the general design for the cooperative effort of the IAC community. (see Tab A)

3. Our intelligence system consists of five major intelligence producing and collecting agencies, which are essential to one another. Machinery exists for determining their functional responsibilities and for coordinating their intelligence activities but there is no requirement that each separate agency budget for

CONFIDENTIAL

CONFIDENTIAL

all of the intelligence activities for which it is responsible or refrain from budgeting for unassigned and possibly duplicative activities. The collection and production of intelligence is for all of these agencies (except the CIA) a relatively small and distinctly subsidiary function within the totality of their operations. Inevitably departmental intelligence budgets (like their budgets for other purposes) are shaped in the main by departmental needs, which in turn grow out of their major functions. Yet there is no assurance that a department's functional responsibility to collect or produce a particular kind of intelligence, which presumably reflects the needs of the intelligence community as a whole, will coincide with its own felt need for that intelligence. Therefore, budgetary provision may fall short of (or exceed) that which would be appropriate to meet a national requirement.

4. While the budget responsibility generally is exercised by the agency charged with performance of function under NSCIDs, provision must be made to recognize those cases where departmental need is not coincident with functional responsibility. At least two of these situations may be described as follows:

a. The DCI's responsibility for coordinated programs bearing on national security in which each agency is to participate in accordance with its assigned area when such program demands are not coincident with departmental demands. In the case of clearly definable interagency programs requiring sizeable additional resources of participating agencies, it is desirable that there be a coordinated budget statement or central budgeting by CIA. This is explained in Tab B. NIS is such a specific program. There may be others. Reimbursement between agencies required by such central budgeting would then be appropriate.

CONFIDENTIAL

CONFIDENTIAL

b. The fact that an agency (in this study, the CIA) may levy requirements on another agency when such requirements demand use of, or establishment of facilities in excess of those required to meet the needs of the performing agency. Reimbursement in such case would then be appropriate. [REDACTED]

25X1B

[REDACTED] This is also true of the External Research Staff (see Tab D), although it has some elements of 4(a) above. [REDACTED]

25X1C

5. The sound development of the intelligence community now requires that the IAC and the Bureau of the Budget take note of these situations and adopt procedures which will identify such cases and principles which will permit cooperative effort to meet individual agency requirements and national security programs in the intelligence area.

6. In considering the reimbursement problem in current cases we have considered in each case alternative methods of meeting the intelligence needs involved and have rejected them (specific discussion is set forth in respective Tabs).

CONCLUSIONS:

7. That there is no way ^{at present} of ensuring that intelligence activities, especially those of national rather than departmental interest, will be supported by the agencies functionally responsible for them on a scale that reflects the interest of the whole intelligence community as well as departmental priorities.

8. That it is not feasible at this time to develop a statement covering all intelligence activities which would show the responsibility, measure the performance, and give the cost of each on a comparable basis because present budgetary and

CONFIDENTIAL

CONFIDENTIAL

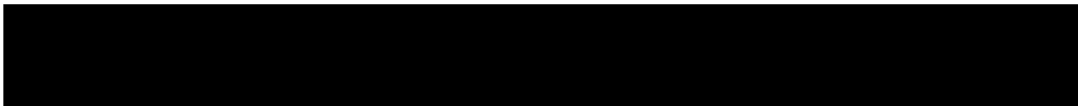
accounting practices do not permit the segregation of intelligence activities from other elements in departmental budgets.

9. That under these circumstances reimbursement will some times be useful as a device to ensure that intelligence programs of broad national interest, but possibly of limited departmental appeal, will be financed, and reimbursement will often be preferable in these cases to the alternative of major shifts of functional responsibility.

10. That, since the need for a coordinated review of financial support, and performance and requirements is greatest with respect to national programs, the Director should from time to time as circumstances permit, request the IAC to prepare coordinated statements of member agencies' budget needs with regard to specific national programs. A specific case in point proposed for such treatment is the NIS.

11. That the DCI should prepare with the cooperation of the IAC a statement of the annual budget needs of the members of the IAC for NIS production and to submit such a statement to the Bureau of the Budget for its information, the DCI then requesting funds for all of these needs except for the Department of Defense where it is anticipated departmental policies or the peculiarities of the budget processes within Defense would seem to require them to submit budget requests directly. (Tab C)

12. That the present practice of CIA reimbursement to State for external research should be continued. However, in the event that either State or Defense is unwilling or unable to sustain its share of the enterprise, consideration should be given to transferring the clearing house function to CIA financed entirely by CIA (Tab D).



CONFIDENTIAL

CONFIDENTIAL

RECOMMENDATIONS:

25X1B 14. That the release of this report to the Bureau of the Budget and to the State Department be authorized as a basis for discussion by the Deputy Director (Support) and the Special Assistant to the Director for Planning and Coordination with those two agencies looking toward agreement on the method of financing NIS, ERS [REDACTED] as soon as possible.

15. Should an issue arise as to the desirability of compiling comparable budgetary statements covering all the intelligence activities of the Government for use by the Bureau of the Budget in the budgetary estimating process prior to issuance of final allowances, the DCI should advise the Director of the Bureau of the Budget or other reviewing authority that the preparation of such budgetary statements would be impossible without major changes in the budgetary practices of the departments and agencies concerned.

CONFIDENTIAL

TAB A

CONFIDENTIAL

17 February 1955

THE NSCIDs AND REIMBURSEMENT

1. The National Security Council Intelligence Directives, while drawing a design for the maximum cooperation among IAC agencies do not go into financial matters, except by implication in phrases which protect the resources of the member agencies. Thus, the intelligence organizations shall provide or procure such intelligence as may be required by the DCI or by one of the other departments or agencies "within the limits of their capabilities." Their major mission is admitted to be to make their own research facilities "adequate to satisfy" the agencies' individual needs, taking full cognizance of the undertakings of other agencies. They are enjoined to "endeavor," but are not required, to maintain adequate research facilities to accomplish production tasks allocated to them and also to provide reports or estimates within the dominant field of interest to meet requirements of other agencies. The collecting and reporting facilities of the agencies while being utilized so as to avoid unproductive duplication and uncoordinated overlapping should insure the full flow of intelligence to meet the major needs of all the departments and agencies "within budgetary limitations."

2. It is therefore clearly recognized that each of the IAC members has a function or functions allocated to it and that the output in regard thereof must be made freely available to all. However, it is also recognized that each agency's primary target is departmental need and that departmental interest provides both the primary motive and real limitations.

3. There is no NSCID provision which authorizes reimbursement except in the case of NSCID-10 which applies to collection of scientific intelligence. The Office of Scientific Intelligence (OSI) recommended that reimbursement be provided State

CONFIDENTIAL

CONFIDENTIAL

25X1A

under this provision, but this was not approved by the Bureau of the Budget [REDACTED]

[REDACTED] The NSCIDs do not suggest explicitly (with the exception of NSCID-10) any alternative in the event that an intelligence agency is unable, because of financial limitations to meet the legitimate requests from outside of its own Department. NSCID-1, paragraph 3 does state the general injunction that "Coordination of intelligence activities should be designed primarily to strengthen the overall governmental intelligence structure. Primary departmental ~~requirements~~ requirements shall be recognized and shall receive the cooperation and support of the Central Intelligence Agency" (underlining supplied). Such support presumably could be, though need not necessarily be, financial, or it might take such form as testifying to the Bureau of the Budget on behalf of another agency's program. Another inference can equally well be drawn, namely, that where production capabilities are inadequate and cannot be sufficiently strengthened to meet the needs of another IAC agency the requesting agency is then free to produce intelligence to meet its own needs or responsibilities.

3. Alternatively, the reallocation of functions in whole or in part might take place under the provision that the general delineation of dominant interests is "... subject to refinement through a continuous program of coordination..." (NSCID-3, paragraph 3). Thus far in the field of production, such refinement has occurred in the establishment of services of common concern, namely, the responsibilities of the Office of Research and Reports (ORR) in economic intelligence on the Soviet Orbit -- NSCID-15 and DCID-15/1, and [REDACTED] Scientific and Technical -- NSCID-8, or have led to a division of responsibility, technical vs. scientific research -- DCID-3/4.

4. The omission in the NSCIDs of any reference (except in NSCID-10) to reimbursement suggests that the law had already adequately covered this practice. Furthermore, where the NSCIDs refer to the limits of budgets, the NSC, it is believed, merely indicated that its directives gave no budget authorizations beyond

CONFIDENTIAL

CONFIDENTIAL

those which are received from the Bureau of the Budget. The NSC did not indicate specific limits on reimbursement practices authorized by the law. Of course, inter-departmental reimbursements are reviewed by the Bureau of the Budget to assure that no violation of the controls over appropriations occurs.

- 3 -

CONFIDENTIAL

Approved For Release 2001/08/27 : CIA-RDP61S00750A000700010008-4

TAB B

Approved For Release 2001/08/27 : CIA-RDP61S00750A000700010008-4

CONFIDENTIAL

Coordinated Budget Presentation for the
Intelligence Community

PROBLEM:

1. To determine the desirability and feasibility of the formulation and presentation to the Bureau of the Budget and Congress of a coordinated statement of the budgets of the intelligence activities of the agencies of the Government.

DISCUSSION:

2. It is clear that the intent of the National Security Act and the NSCIDs is that the Agencies represented on the Intelligence Advisory Committee are to operate insofar as possible as a system, interrelated and interdependent. While the Act and the Directives accord due respect to the fact that the individual intelligence agencies must meet their departmental responsibilities, the separate agencies are to be managed as to achieve coordinated intelligence in the interest of national security.

3. Despite the necessity for budget requests to be related directly to the coordinated intelligence program, there is at present no machinery by which this can be accomplished. Present procedures provide only for each of the IAC agencies to present and justify their estimated requirements for the intelligence function independently to the Bureau of the Budget and Congress. In addition, as intelligence activities frequently cut across appropriation items, it is not even possible always to identify readily by agency or, at times within an agency, the funds requested for carrying out the intelligence function.

4. Due to the lack of a coordinated formulation and presentation of an Intelligence Community Budget, there is no mechanism by which either the Bureau of the Budget or the Con-

CONFIDENTIAL

CONFIDENTIAL

gressional Committees on Appropriations can be made fully aware of the interdependence of the IAC agencies and assured wherein the individual agency requests are essential to the coordinated community effort. As a result, there is no assurance that the action taken on the estimates by either the Bureau of the Budget or Congress will be consistent among the IAC agencies in regard to provision for intelligence activities.

5. To the extent that the allowances granted by the Bureau of the Budget for submission of estimates to Congress of the funds finally appropriated by Congress represent a reduction from the amount originally requested, adjustments must be made by the individual departments in the various activities, including intelligence, within the general appropriation item. Due to the lack of a coordinated Intelligence Community Budget there is also no systematic way to assure that, in this adjustment process, intelligence activities essential to the community effort are not impaired.

6. An Annual Coordination of Intelligence Budgets: The solution to the difficulties set forth in the foregoing paragraphs might be for the IAC to undertake annually the coordination of the member agencies' intelligence budgets prior to submission to their respective agency or departmental budgets and, of course, prior to submission to the Bureau of the Budget.

7. This procedure might be as follows:

(a) The IAC might establish a Budget Subcommittee to prepare for IAC consideration a coordinated statement which might include the intelligence activities in the member agencies identifying them, insofar as possible, wherever they may be.

(b) This statement might be accompanied by an analysis of the interaction of the activities covered by these budgets with some explanation of the way in which

CONFIDENTIAL

gaps in intelligence collection or research have been identified during the previous year thru post mortems of NIEs and other research.

(c) Upon approval by the IAC, each of the agencies might report to its respective agency or department and to the Bureau of the Budget the views of the IAC, including reference to such items, if there be any, on which the IAC members were unable to identify sufficiently a community interest.

(d) The Budget Bureau might earmark, in the granting of allowances to the individual IAC agencies, the amount approved for intelligence activities. To the extent that the allowances reflect reductions in the original amounts requested, the IAC Budget Subcommittee might study and advise the IAC of the effects of the cuts on the coordinated intelligence program, with appropriate recommendations. When deemed necessary, the IAC would appeal to the Budget Director the action taken on the allowances and make every effort to secure restoration of essential items.

(e) The individual agencies might be advised of final IAC endorsement of the coordinated statement as an essential requirement to the coordinated Intelligence Community program.

(f) The IAC Budget Subcommittee would study and report to the IAC the effects on intelligence activities of the final appropriation action taken by Congress. The IAC, as required, would give appropriate support to the intelligence officials in the individual agencies to assure that in the final allotment of funds adequate provision is made for carrying out each agency's responsibilities in the coordinated intelligence program.

CONFIDENTIAL

CONFIDENTIAL

8. Difficulties in the Coordinated Approach: There are many practical difficulties, however, that would have to be overcome before the above model plan could be fully effectuated:

(a) As intelligence activities frequently cut across appropriation items, it is not possible to identify readily and accurately the funds reflected in estimates for carrying out the intelligence function. There is a need for considerable further study (1) to determine a standard classification of intelligence activities which could be used by all IAC agencies for budget purposes, (2) to obtain agreement among the agencies as to the items to be reflected under each category to insure uniformity in reporting, and (3) to develop adequate costing formula and techniques for identifying intelligence costs when activities do not coincide with appropriation items.

(b) In many instances where intelligence activities do not coincide with allotment accounts it will not be possible to secure an accurate accounting record of cost experiences. Only on an estimated basis, therefore, will it be possible to compare actual performance with the budget plan.

(c) The present tight budget schedule leaves little opportunity for the IAC to make a thorough review and analysis of the budgetary requirements. To be most effective, the IAC review should occur before the agency estimates are made to the respective departments and would require a very thorough evaluation of program performance. It does not appear that sufficient time would be available within the present budget review schedule to permit such a time consuming review,

CONFIDENTIAL

(d) Under present budget practices each department must submit its estimates within an overall budget ceiling. The proposed review by the IAC would place it in a position of possibly appealing to the Budget Bureau for funds for intelligence activities in excess of that which the individual department believed it possible to allocate within its ceiling figure.

9. An Alternative to the Coordination of Intelligence Budgets:

A less ambitious, but more practical, effort to solve this problem would be for the IAC to undertake annually the coordination of a statement of member agencies' budget requirements to permit their participation in specific community programs. Such a statement would include a presentation of the IAC program in question, the justification for the program, and an explanation of the importance of the member agencies participation for achievement of the program. The NIS is such a program and would provide an excellent starting point for this approach.

10. Experience gained in handling selected programs in this manner would be useful in a longer range effort to study and resolve the difficulties which appear today to be insurmountable in regard to the preparation of coordinated budgets of intelligence agencies. It is, of course, possible that such further study would show such total coordination to be unwise as well as unworkable.

CONCLUSIONS:

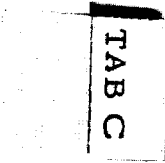
11. That it is not feasible at this time to develop a statement covering all intelligence activities which would show the responsibility, measure the performance, and give the cost of each on a comparable basis because present budgetary and accounting practices do not permit the segregation of intelligence activities from other elements in departmental budgets.

CONFIDENTIAL

12. That, since the need for a coordinated review of financial support, and performance and requirements is greatest with respect to national programs, the Director should from time to time as circumstances permit, request the IAC to prepare coordinated statements of member agencies' budget needs with regard to specific national programs. A specific case in point proposed for such treatment is the NIS.

13. Should an issue arise as to the desirability of compiling comparable budgetary statements covering all the intelligence activities of the Government for use by the Bureau of the Budget in the budgetary estimating process prior to issuance of final allowances, the DCI should advise the Director of the Bureau of the Budget or other reviewing authority that the preparation of such budgetary statements would be impossible without major changes in the budgetary practices of the departments and agencies concerned.

CONFIDENTIAL



CONFIDENTIAL

~~SECRET~~

1 January 1955

FINANCING THE NATIONAL INTELLIGENCE SURVEY (NIS)

PROBLEM:

1. To reexamine alternatives for financing the NIS.

FACTS BEARING ON THE PROBLEM:

2. The National Intelligence Survey was one of the first IAC programs to be established. It stems from paragraph 3 of section 102(d) of the Act of 1947 but in more definitive form in paragraph 1a of NSCID-3 (for the text see Annex A). The NIS Standard Instructions were prepared by a special committee of the IAC and approved by that body and the NSC. All concerned have recognized that it was important for the NIS to be developed as a broad, coherent and long range program both for a national emergency (such as was faced in 1941 when there was a vast demand for basic intelligence for strategic and operational purposes) and for providing that solid foundation of factual detail on which any reliable estimating and planning must be based.

3. Reimbursement for NIS: At the inception of the NIS program in 1947, the Director of Central Intelligence made arrangements for the Central Intelligence Agency to budget for all NIS production except that of the Defense Department intelligence agencies. Non-IAC agencies, such as Agriculture and Interior, were not in a position to seek funds for NIS for which they had a basic know-how but which was quite aside from their statutory assignments. In the case of the State Department, pre-fixed and usually reduced ceilings made it impractical to seek so large a new fund as NIS required. Furthermore, research in the Department's field (i.e., social science) is notoriously difficult to "sell" as compared with the scientific and technical fields.

~~SECRET~~

CONFIDENTIAL

CONFIDENTIAL

SECRET

4. It is probably true that the intelligence area of the Department favored obtaining funds from CIA because it doubted that even if the money could have been obtained from the Congress, the Department would have made full allocation to the NIS program in the face of other Departmental interests competing for the total State Department appropriation. The Defense Department intelligence agencies preferred not to participate in such budgeting, possibly on the ground that they preferred to have complete control over the deployment of personnel working under their supervision in intelligence, plus the fact that some in the military believed that the responsibility to obtain necessary appropriations went with the allocation of responsibility for production of intelligence. It is also noted in this connection that the military were already preparing a close equivalent of NIS in the form of the Joint Army-Navy Intelligence Survey (JANIS). In 1951 G-2 was interested in having the CIA budget for the Army contributions to NIS. This proposal was not acted upon because the G-2 learned that such action would not have affected the personnel limitations imposed by the Office of Secretary of Defense.

5. The responsibility to produce certain sections of the NIS has been assigned to agencies of the Government outside of the Intelligence Advisory Committee (IAC), namely, in the Department of the Interior and the Department of Agriculture. Because the subject matter in these sections generally falls within the State Department's bailiwick, State has been delegated the responsibility by CIA to coordinate the NIS production of these non-IAC agencies, although funds are allocated by CIA directly to those agencies. The funds allocated in 1955 to the State Department for NIS was [REDACTED] plus [REDACTED] as a result of the USIA Survey; to the Department of Agriculture [REDACTED] and to the Department of Interior, [REDACTED] (including [REDACTED] for Board of Geographic Names.) It is noteworthy that military production on assignments for NIS has, on the average, been behind schedule much more than State production which is financed by the CIA.

25X1A

25X1A

SECRET

CONFIDENTIAL~~SECRET~~

6. Evaluation of the NIS Program: The development of the NIS program required extensive planning and the acceptance of the principle, based on World War II experience, that when completed, the NIS would fill an important need of the Government in the national security field. The fruits of this planning in the program have become more apparent in the last several years. The use of NIS material in estimating, for example, became apparent in the recent National Intelligence Estimate on Afghanistan, the discussion section of which was substantially NIS material. The direct application of a number of sections of NIS material to the needs of psychological warfare and foreign information programs was revealed in the course of the USIA Survey and subsequently. The Coordinator of the NIS has in the last several months completed an extensive survey of consumer reactions to the NIS which was generally favorable. While it is extremely difficult to evaluate the NIS in terms of the dollar costs, we believe that the conclusion is justified that the NIS is a wise program not only for its published product, but also for its contribution to more substantial planning and programming for both production and collection in the departments, thus providing greater strength in estimating and special reporting. The NIS insures, in what is probably the only fashion that would be seriously effective, a review and build-up of worldwide information that are both comprehensive and systematic.

7. Inter-agency support of the NIS program must be reasonably consistent from year to year among the participating agencies to achieve a balanced production effort. The inter-agency allocations necessitate a nicety of production balance and timing so that subsection contributions may fit into complete sections which, in turn, make up the scheduled chapters and supplements. Disruptions in the production flow cause disproportionate setbacks throughout the entire production process. These disruptions are mainly caused by uneven fiscal support for NIS requirements and by the use of NIS capabilities for other purposes.

~~SECRET~~

~~SECRET~~

~~SECRET~~

8. Alternatives for Financing NIS: In considering how best to finance the NIS, it is believed that a major objective should be to preserve and strengthen this program. While the proper method of financing should be established, we must be mindful that the method should not be selected without careful consideration to its effects.

9. Alternative I. Continue the present arrangement.

While the program would probably be substantially at the same level, this method will likely come in for increasing criticism from the Bureau of the Budget or the Congress. It appears pressures will continue for a more formally established arrangement for financing than that used at present. Furthermore, difficulties will probably increase in obtaining balanced production of NIS among the agencies.

10. Alternative II. CIA to discontinue financing NIS production by IAC agencies notifying the Bureau of the Budget and the Department of State of this fact and requesting the State Department to budget accordingly.

The Department of State would be unlikely to accept this responsibility because by tradition they have come to assume this responsibility belongs to the Director; and in any event, in view of its poor anticipation of success in raising its budget ceiling for this purpose, the Department would not want to risk having to provide for NIS within the framework of its present allocation. However, even if the Department did request the necessary funds to continue the production at the current rate or with the expansion proposed in the USIA Survey and its request got as far as the Congress, it is doubtful that the total appropriation from the Congress (which would likely be considerably less than the request) would be allocated in the full amount for NIS production.

- 4 -

~~SECRET~~

CONFIDENTIAL

The earliest budget in which the above could apply would be that for fiscal year 1957 and the outcome could not be known definitely until July 1956. Insofar as the decisions of the Congress and of the Department in making allocation are short of the production rate proposed, readjustments in the entire program would be required. A return to Alternative I in such an eventuality would be practically precluded because of the then legislative history on the item.

The Department, when notified of this decision of the Director to discontinue reimbursement, might on the other hand refuse to accept the responsibility for budgeting for the NIS. In such an eventuality (a) there could be a continuance ~~to~~^{of} Alternative I or (b) the IAC could recommend to the NSC a re-allocation of State's responsibility for NIS. In addition, the transfer (probably to CIA) of the whole of that NIS now assigned to State would have the effect of seriously weakening the intelligence organization in State, both in terms of its contribution to meet departmental needs and its contributions to NIEs. Relations with State are almost bound to deteriorate as State gets weaker and as demands force CIA into developing intelligence materials based on NIS research but of a political estimating type. It can also be anticipated that, with the State organization now truncated, the Department will be encouraged to do what many of its officers have long wanted to do, namely, to get rid of the intelligence organization except for possibly a small staff assigned to the Special Assistant for Intelligence, placing the freed assets in the political bureaus.

11. Alternative III. CIA to budget for the whole of NIS production by all agencies (Central Budgeting).

Under such an arrangement there would be greater likelihood of stability in production in keeping with the schedules. This is supported by experience in regard to comparing State and military production, the latter being generally behind schedule more than State production. It may be that the Bureau of the Budget and the Director of Defense would need to make adjustments in the budgeting procedures of the Department of Defense.

CONFIDENTIAL

CONFIDENTIAL

Central budgeting for NIS as far as State and non-IAC agencies is concerned already exists and they have adjusted their internal administration satisfactorily to make an accounting of their utilization of NIS funds to CIA. The preparation of the coordinated statement for the foregoing has been accomplished by representatives of the agencies working with the CIA Coordinator of the NIS. This might be more difficult for the military because of departmental ceilings in the Defense Department. The military would probably object to the lack of flexibility in the utilization of NIS personnel which normally applies in the way in which they administer NIS production. Thus, in times of crisis, NIS personnel have been drawn off almost entirely for critical work.

12. Alternative IV. The DCI to prepare with the cooperation of the IAC a statement of the annual budget needs of the members of the IAC for NIS production and to submit such statement to the Bureau of the Budget for its information, the DCI then requesting funds for all of these needs except for the Department of Defense where it is anticipated departmental policies, or the peculiarities of the budget processes within the Department of Defense may require the intelligence agencies in Defense to submit budget requests directly.

This proposal would be substantially the practice today with the important addition, however, of providing a comprehensive statement of needs for the NIS program even though allowances would have to be made for the Department of Defense to handle its funds separately, as it does today.

At the moment this appears to be the most realistic alternative, it being fully realized that at a later stage it may be desirable and possible to adopt Alternative III.

CONFIDENTIAL

CONFIDENTIAL

CONCLUSIONS:

13. That the DCI should prepare with the cooperation of the IAC a statement of the annual budget needs of the members of the IAC for NIS production and submit such statement to the Bureau of the Budget for its information, the DCI then requesting funds for all of these needs except for the Department of Defense where it is anticipated departmental policies and the peculiarities of the budget processes within the Department of Defense may require the intelligence agencies in Defense to submit budget requests directly.

CONFIDENTIAL

ANNEX A

SECRET

ANNEX A

NATIONAL SECURITY COUNCIL INTELLIGENCE DIRECTIVE NO.3

COORDINATION OF INTELLIGENCE PRODUCTION

(Approved 1/13/48; SECRET)

Pursuant to the provisions of Section 102 of the National Security Act of 1947, and for the purposes enunciated in paragraphs (d) and (e) thereof, the National Security Council hereby authorizes and directs that the following over-all policies and objectives are established for the coordination of the production of intelligence:

1. In order that all facilities of the Government may be utilized to their capacity and the responsibilities of each agency may be clearly defined in accordance with its mission, dominant interest, and capabilities, the whole field of intelligence production is divided into the following categories, and responsibilities are allocated as indicated:

a. Basic Intelligence

(1) Basic intelligence is that factual intelligence which results from the collation of encyclopedic information of a more or less permanent or static nature and general interest which, as a result of evaluation and interpretation, is determined to be the best available.

(2) An outline of all basic intelligence required by the Government shall be prepared by the CIA in collaboration with the appropriate agencies. This outline shall be broken down into chapters, sections, and sub-sections which shall be allocated as production and maintenance responsibilities to CIA and those agencies of the Government which are best qualified by reason

SECRET

SECRET

of their intelligence requirements, production capabilities, and dominant interest to assume the production and maintenance responsibility.

(3) When completed, this outline and tentative allocations of production and maintenance responsibilities shall be submitted for NSC approval and issued as an implementation of this Directive. It is expected that as the result of constant consultation with the agencies by the Director of Central Intelligence, both the outline and the allocations will be revised from time to time to insure the production of the basic intelligence required by the agencies and the fullest possible use of current agency capabilities. Changes in the outline or allocations shall be effected by agreement between the Director of Central Intelligence and the agencies concerned.

(4) This basic intelligence shall be compiled and continuously maintained in National Intelligence Surveys to cover foreign countries, areas, or broad special subjects as appropriate. The National Intelligence Surveys will be disseminated in such form as shall be determined by the Director of Central Intelligence and the agencies concerned.

(5) The Director of Central Intelligence shall be responsible for coordinating production and maintenance and for accomplishing the editing, publication, and dissemination of these National Intelligence Surveys and shall make such requests on the agencies as are necessary for their proper development and maintenance.

(6) Departments or agencies to be called on for contributions to this undertaking may include agencies other than those represented permanently in the IAC.

....

SECRET

Approved For Release 2001/08/27 : CIA-RDP61S00750A000700010008-4

TAB D

Approved For Release 2001/08/27 : CIA-RDP61S00750A000700010008-4

~~CONFIDENTIAL~~

~~SECRET~~

1 January 1955

Financing the External Research Staff (ERS)

in the Department of State

Problem:

1. To reexamine alternatives for financing the ERS.

Facts Bearing on the Problem:

2. History: The Department of State in 1952, faced with budget cuts, was prepared to abolish its External Research Staff. At that time, ERS was a joint CIA-State (R) clearing house for external research [REDACTED]. However, in 1952 the DDI (Mr. Becker) informed the Psychological Strategy Board (which had taken an interest in the coordination of external research in the foreign affairs field in the form of a survey and report prepared by Henry Loomis) that while CIA opposed the Loomis Report, CIA "welcomed the association of the Psychological Strategy Board staff (PSB) with our coordinating effort." Subsequently and to strengthen that coordinating effort, CIA agreed to contribute at an annual rate of [REDACTED] to support ERS. It proposed to the Defense Department and that Department agreed to transfer [REDACTED] to ERS in 1953 for the preparation of abstracts of Department of Defense contractual research in psychological and unconventional warfare. The Department of State agreed to continue to pay the salary of the director of ERS and to provide office space and materials. The decision to continue to maintain the clearing house for external research in State was reached after discussion with both IAC and interested policy and operating agencies. It rested mainly on the belief that private external, and in particular academic, researchers in the social sciences preferred to deal with the Department of State in the functions carried out by ERS. Moreover, ERS had functioned satisfactorily in State for four years and there seemed to be no compelling reason to move it.

~~SECRET~~

~~CONFIDENTIAL~~

25X1A

25X1A

25X1A

25X1A

25X1A

~~CONFIDENTIAL~~~~SECRET~~

3. What ERS Does: ERS issues an annual inventory with quarterly supplements of Government-sponsored external research projects relating to foreign areas and psychological warfare. An appraisal of the usefulness of this inventory within CIA made by the Agency's coordinator of external research indicates that research officers find the inventory highly valuable as an insurance against duplication of research and as a means of obtaining leads to other researchers with common interests. On the basis of a questionnaire distributed by ERS, it may be concluded that the inventory is highly useful to other agencies in the executive branch as well.

4. ERS also publishes comprehensive lists of non-Government-sponsored social science research on foreign areas. It maintains a central research file which is available for reference by research analysts and collection officers. When called upon to do so, it negotiates contracts for Government agencies, private scholars and research organizations. It also acquires, reproduces⁶⁰ and disseminates to interested Government agencies the products of external research that might not otherwise be available. An indication of the usefulness of ERS as a focal point for information about research was given recently when the Operations Coordinating Board (OCB) designated ERS to be the principal point of contact between OCB member agencies and private research organizations. As a means of developing more effective coordination in the field of external research, the DCI on 11 December 1954 proposed to the Secretary of Defense, the Secretary of State and the directors of FOA, OCB and USIA the establishment of a committee on this subject under the chairmanship of the Agency. The jointly-sponsored ERS would, of course, facilitate the work of such a committee.

Discussion:

5. The need for a clearing house in external research is generally accepted in the national security community and we believe it is sound. The technique of a clearing house for

-2-

~~SECRET~~~~CONFIDENTIAL~~

CONFIDENTIAL

~~SECRET~~

various kinds of research in Government is frequently followed, e. g. the National Science Foundation, Public Health Service, Department of Agriculture, the National Advisory Committee for Aeronautics. We see the following alternatives for financing it.

6. Alternative I: Discontinue CIA Reimbursement.

The Department of State has already given evidence that it could not continue the ERS function. In the event State did give it up, it is reasonably certain that the Department of Defense would establish a comparable clearing house to meet its own needs. It is believed that the academic community would not be as inclined to work with Defense as with State.

7. Alternative II: CIA to budget for the whole of ERS and Administer the funds in CIA.

By agreement with the Department of State, CIA might move the function to CIA. It is believed that the Department of Defense would welcome this, although not seek it. In our discussions with the Department of Defense to obtain their participation in the financing of ERS to the extent of [REDACTED] (a figure comparable to that proposed for CIA), Defense expressed the hope that, in subsequent years, CIA might finance the function one hundred per cent.

While CIA has not been assigned by the NSC to be the Coordinator of External Research in the social sciences in foreign areas, the Agency has assumed a posture tantamount to this. The other agencies appear generally to accept that notion. The time may have arrived ~~as will shortly~~ when such assignment should be made by an NSCID.

-3-

~~SECRET~~

CONFIDENTIAL

CONFIDENTIAL~~SECRET~~

It would be administratively cleaner for CIA to finance and house the whole of ERS. A potential disadvantage is that we might have trouble working with the academic world because of the nature of this Agency. The other agencies might not contribute substantively as much information if they had no financial stake in this program. If the other agencies respond favorably to the Director's letters noted in paragraph 4 above and a coordinating committee is established, a case could be readily made that the clearing house function should be attached to the agency which provides the chairmanship of the committee.

8. Alternative III: Continue ERS on the basis of financial contributions from State, CIA and Defense.

ERS is now functioning reasonably well. There appears to be no reason of principle why CIA should not continue its present financial support of ERS. Continuance of ERS at the present level is problematical, depending on the attitude of the moment of any one of the three agencies.

Conclusions:

9. Alternative III, namely to continue as at present, is the best arrangement. In the event, however, that either State or Defense is unwilling or unable to sustain its share of the enterprise, consideration should be given to transferring the clearing house function to CIA financed entirely by CIA.

~~SECRET~~**CONFIDENTIAL**

TABLE

25X1B

Approved For Release 2001/08/27 : CIA-RDP61S00750A000700010008-4

Next 3 Page(s) In Document Exempt

Approved For Release 2001/08/27 : CIA-RDP61S00750A000700010008-4